

LAWNET

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Ann Arbor, Michigan

FINANCIAL STATEMENTS

For the Year Ended December 31, 2008

LAWNET

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

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Independent Auditors' Report

February 11, 2009

To the Board of Directors
Livingston and Washtenaw Narcotics
Enforcement Team (LAWNET)
Ann Arbor, Michigan

We have audited the accompanying financial statements of the governmental activities, the major fund, and the remaining fund information of the **LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)** as of and for the year ended December 31, 2008, which collectively comprise LAWNET's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of LAWNET's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the remaining fund information of LAWNET as of December 31, 2008, and the respective changes in financial position thereof, and the budgetary comparison for the major fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

LAWNET has not presented management's discussion and analysis as required supplementary information. The Governmental Accounting Standards Board has determined that such information is necessary to supplement, although not required to be part of, the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 11, 2009, on our consideration of LAWNET's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of LAWNET. The accompanying supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements of LAWNET. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

BASIC FINANCIAL STATEMENTS

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM**
Statement of Net Assets and Governmental Fund Balance Sheet
December 31, 2008

	Special Revenue Fund	Adjustments	Governmental Activities
Assets			
Cash and cash equivalents	\$ 1,942,015	\$ -	\$ 1,942,015
Interest receivable	3,867	-	3,867
Due from other governments	25,482	-	25,482
Total assets	\$ 1,971,364	-	1,971,364
Liabilities			
Accounts payable	\$ 11,562	-	11,562
Accrued liabilities	3,515	-	3,515
Total liabilities	15,077	-	15,077
Fund balance			
Unreserved, undesignated	1,956,287	(1,956,287)	-
Total liabilities and fund balance	\$ 1,971,364		
Net assets			
Unrestricted		\$ 1,956,287	\$ 1,956,287

The accompanying notes are an integral part of these financial statements.

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM**
Statement of Activities and Governmental Fund Revenue,
Expenditures, and Changes in Fund Balance
For the Year Ended December 31, 2008

Revenue

Forfeitures	\$ 623,366
Intergovernmental:	
Washtenaw County	30,000
HIDTA grant	85,211
Highway interdiction grant	28,883
Other intergovernmental revenue	54,472
Interest revenue	53,607
Other revenue	5,036
	<hr/>
Total revenue	880,575
	<hr/>

Expenses / expenditures

Public safety:	
Forfeiture	61,996
Investigative	44,533
Communications	24,232
Personnel	134,647
Training	16,647
Rent	73,972
Equipment	35,085
Utilities	15,000
Office supplies	16,406
Contract services	46,710
Repairs and maintenance	30,536
Vehicle and travel	1,030
Administrative	8,653
	<hr/>
Total expenses / expenditures	509,447
	<hr/>
Change in net assets / fund balance	371,128

Net assets / fund balance, beginning of year	<hr/> 1,585,159
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Net assets / fund balance, end of year	<hr/>\$ 1,956,287<hr/>
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The accompanying notes are an integral part of these financial statements.

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM**

**Statement of Revenue, Expenditures, and
Changes in Fund Balance - Budget and Actual - Special Revenue Fund
For the Year Ended December 31, 2008**

	Original Budget	Final Budget	Actual	Variance with Final Budget + (-)
Revenue				
Forfeitures	\$ 165,100	\$ 165,100	\$ 623,366	\$ 458,266
Intergovernmental:				
Washtenaw County	30,000	30,000	30,000	-
HIDTA grant	117,750	117,750	85,211	(32,539)
Highway interdiction grant	25,000	30,785	28,883	(1,902)
Other intergovernmental revenue	19,838	19,838	54,472	34,634
Interest revenue	53,607	53,607	53,607	-
Other revenue	4,800	4,800	5,036	236
Total revenue	<u>416,095</u>	<u>421,880</u>	<u>880,575</u>	<u>458,695</u>
Expenditures				
Public safety:				
Forfeiture	27,290	62,184	61,996	188
Investigative	58,000	48,107	44,533	3,574
Communications	28,654	28,654	24,232	4,422
Personnel	188,480	188,480	134,647	53,833
Training	13,815	16,708	16,647	61
Rent	76,048	76,048	73,972	2,076
Equipment	62,615	62,615	35,085	27,530
Utilities	20,700	20,700	15,000	5,700
Office supplies	16,940	16,940	16,406	534
Contract services	65,366	71,151	46,710	24,441
Repairs and maintenance	37,353	37,353	30,536	6,817
Vehicle and travel	16,500	16,500	1,030	15,470
Administrative	10,200	10,200	8,653	1,547
Total expenditures	<u>621,961</u>	<u>655,640</u>	<u>509,447</u>	<u>146,193</u>
Net change in fund balance	(205,866)	(233,760)	371,128	604,888
Fund balance, beginning of year	<u>1,585,159</u>	<u>1,585,159</u>	<u>1,585,159</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 1,379,293</u></u>	<u><u>\$ 1,351,399</u></u>	<u><u>\$ 1,956,287</u></u>	<u><u>\$ 604,888</u></u>

The accompanying notes are an integral part of these financial statements.

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM
Statement of Fiduciary Assets and Liabilities
December 31, 2008**

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u><u>\$ 34,005</u></u>
Liabilities	
Undistributed receipts	<u><u>\$ 34,005</u></u>

The accompanying notes are an integral part of these financial statements.

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Livingston and Washtenaw Narcotics Enforcement Team (LAWNET) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of LAWNET's accounting policies are described below:

A. Reporting Entity

LAWNET was formed in 1981 as a cooperative, multi-jurisdictional unit of narcotic investigators comprised of personnel from municipal, county, and state law enforcement agencies within Livingston and Washtenaw Counties. LAWNET is not a component unit of any government.

B. Government-wide and Fund Financial Statements

As permitted by GASB Statement No. 34, LAWNET uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Funds Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. Major individual governmental funds are reported as separate columns in the aforementioned financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial information is reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The agency fund also uses the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial information is reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, LAWNET considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

Revenue from grant awards and contributions from local sources associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

LAWNET reports the following major governmental fund:

Special Revenue Fund

A special revenue fund accounts for revenue sources that are legally restricted to expenditure for specific purposes. The special revenue fund used by LAWNET is used to record its general operations.

In addition, LAWNET reports the following fund type:

Fiduciary Funds

Fiduciary funds are used to account for assets held by LAWNET in a trustee capacity or as an agent for individuals, organizations or other governments. Agency funds are custodial in nature and do not present results of operations or have a measurement focus.

The safe and non-adjudicated forfeiture fund is an agency fund used to account for cash seized from defendants upon arrest and bonds posted in accordance with the laws of the State of Michigan. This cash is held until the ultimate settlement of the case, at which time the cash is transferred to the special revenue fund, transferred to another governmental agency or returned to the defendant.

The Michigan State Police fund is an agency fund used to account for the Michigan State Police's portion of the disbursements made to participating agencies in 2007. The money is held by LAWNET and maintained by the Southeast Criminal Investigation Division for its expenditures.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB.

D. Budgets

LAWNET's special revenue fund is under formal budgetary control. The budget shown in the financial statements was adopted on a basis consistent with generally accepted accounting principles and consists only of those amounts contained in the formal budget approved by the LAWNET Board of Directors.

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

P.A. 621 of 1978, as amended, provides that a local unit shall not incur expenditures in excess of the amounts appropriated. The approved budgets of LAWNET were adopted on an activity level basis, which is the legal level of control. The Statement of Revenue, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund Type presents the budget in more detail than the legal level of control. Accordingly, at the activity level basis, no expenditures were incurred in excess of the amounts appropriated.

E. Cash and Cash Equivalents

Amounts reported as cash and cash equivalents include amounts on hand and amounts held by the Washtenaw County Treasurer in the County's pooled cash management accounts.

State statutes require all money, negotiable instruments, securities or any other thing of value to be deposited with the treasurer of the local unit.

F. Donated Services

Substantial services related to the utilization of personnel and personal property are contributed by cooperating law enforcement agencies. The value of these services has not been recognized in the financial statements since the amount is not subject to reasonable estimation. Any legal proceedings resulting from the actions of such personnel or the use of donated personal property are the responsibility of the donor agency.

G. Fund Equity

Reservations of fund balance, if any, represent amounts that are not appropriable or are legally segregated for a specific purpose. The unreserved fund balance in the special revenue fund represents amounts available for future appropriations.

2. CASH AND CASH EQUIVALENTS

A reconciliation of cash and investments as shown on the Statement of Net Assets and Statement of Fiduciary Net Assets as of December 31, 2008, follows:

Statement of Net Assets:

Cash and cash equivalents	\$ 1,942,015
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Statement of Fiduciary Net Assets:

Agency Fund –	
Cash and cash equivalents	<u>34,005</u>
	<u>\$ 1,976,020</u>

LIVINGSTON AND WASHTENAW NARCOTICS ENFORCEMENT TEAM (LAWNET)

Notes To Financial Statements

Cash on hand	\$ 53,817
Cash deposited with Washtenaw County Treasurer	<u>1,922,203</u>
	<u>\$ 1,976,020</u>

The funds held in the Treasurer's pooled accounts are deposited by, and in the name of, the Washtenaw County Treasurer. County funds are also deposited in those accounts and, as such, because of the complexities of FDIC regulation, it is not possible to readily determine the amount of insurance that would be allocated to LAWNET's deposits. Information regarding Washtenaw County's cash management pool may be obtained by writing to Washtenaw County, P.O. Box 8645, Ann Arbor, Michigan 48107-8645.

3. RELATED PARTY TRANSACTIONS

Civilian clerical personnel are employees of Washtenaw County. LAWNET reimburses the County for the payroll and fringe costs associated with these clerical positions. These costs amounted to \$134,647 for the year ended December 31, 2008.

4. RISK MANAGEMENT

During the normal course of its operations, LAWNET is exposed to various risks of loss related to liability, employee injury, and other circumstances. Personnel working for LAWNET are covered by the law enforcement agency in which they are employed.

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**INDIVIDUAL FUND
FINANCIAL STATEMENT**

**LIVINGSTON AND WASHTENAW
NARCOTICS ENFORCEMENT TEAM**
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended December 31, 2008

	Beginning Balance	Additions	Deductions	Ending Balance
<u>Safe and Non-Adjudicated</u>				
Assets				
Cash and cash equivalents	\$ 333,210	\$ 213,911	\$ 524,304	\$ 22,817
Liabilities				
Undistributed receipts	\$ 333,210	\$ 213,911	\$ 524,304	\$ 22,817
<u>Michigan State Police</u>				
Assets				
Cash and cash equivalents	\$ 36,485	\$ 3,203	\$ 28,500	\$ 11,188
Liabilities				
Undistributed receipts	\$ 36,485	\$ 3,203	\$ 28,500	\$ 11,188
<u>Total</u>				
Assets				
Cash and cash equivalents	\$ 369,695	\$ 217,114	\$ 552,804	\$ 34,005
Liabilities				
Undistributed receipts	\$ 369,695	\$ 217,114	\$ 552,804	\$ 34,005

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

February 11, 2009

To the Board of Directors
Livingston and Washtenaw Narcotics
Enforcement Team (LAWNET)
Ann Arbor, Michigan

We have audited the financial statements of the governmental activities, the major fund, and the remaining fund information of the *Livingston and Washtenaw Narcotics Enforcement Team (LAWNET)* as of and for the year ended December 31, 2008, which collectively comprise the Agency's financial statements, as listed in the table of contents, and have issued our report thereon dated February 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LAWNET's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of LAWNET's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of LAWNET's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LAWNET's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of LAWNET in a separate letter dated February 11, 2009.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.